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18 UNITED STATES DISTRICT COURT
19 CENTRAL DISTRICT OF CALIFORNIA

20 JIPC MANAGEMENT, INC.,

21 Plaintiff,

22 v.

23 INCREDIBLE PIZZA CO., INC.;
24 INCREDIBLE PIZZA FRANCHISE
GROUP, LLC; CJM RACING, LLC.,

25 Defendant.
26
27
28

Case No. CV08-4310 MMM (PLAX)

**PLAINTIFF'S OPPOSITION TO
DEFENDANTS' MOTION IN
LIMINE NO. 6 RE: EVIDENCE
OF ALLEGED ACTUAL
CONFUSION**

Hon. Margaret M. Morrow

**Date: July 13, 2009
Time: 9:00 a.m.
Ctrm: Roybal 780**

1 Plaintiff JIPC Management, Inc. (“JIPC”) submits this Opposition to
2 Defendants’ Motion in Limine No. 6 Re: Evidence of Alleged Confusion by Non
3 Consumers (“MIL No. 6”).

4 **MEMORANDUM OF POINTS AND AUTHORITIES**

5 **I. Evidence of Actual Confusion by Nonconsumers Is Relevant and** 6 **Admissible.**

7 By their MIL No. 6, Defendants seek an Order excluding any evidence of
8 alleged actual confusion by any “non-consumer.” Defendants’ Motion should be
9 denied.

10 As a threshold matter, Defendants have failed to make any showing that the
11 individuals who experienced confusion do not qualify as actual or potential
12 purchasers of the restaurant and entertainment services at issue in this case. *See,*
13 *e.g., Jockey International, Inv. v. Burkard*, 185 U.S.P.Q. 201, 207-08 (S.D. Cal.
14 1975) (“Retail store salespersons are prospective underwear purchasers and are
15 members of the purchasing public the Lanham Act is designed to protect.”)

16 This is not a case involving luxury goods or some other esoteric product.
17 The relevant consumers include parents with kids, members of business and church
18 groups, teachers and school officials, and a host of others. That the parties’
19 restaurant and entertainment services are targeted to a broad demographic is
20 confirmed by Rick Barsness, Defendants’ founder and CEO, who recently
21 commented on the overlap between the defendants’ customer base and fans of
22 NASCAR. (Ex. 1 (February 09, 2009 Nation’s Restaurant News Article) (““The
23 people that follow NASCAR are our customers,’ Barsness said. ‘It’s a blue-collar
24 and lower-white-collar market that ties well to the NASCAR community.’”))

25 Moreover, even if the individuals experiencing confusion that Defendants
26 target by this motion did not qualify as “consumers,” evidence of their confusion is
27 still relevant and admissible. Numerous courts have found that actual confusion
28

1 among those that are not direct customers is pertinent and should be considered.

2 This is because, among other reasons:

3 The law recognizes that injury from confusion can be
4 caused, not just by loss of sales, but also by damage to
5 reputation and good will. Damage to reputation and good
6 will can be triggered by confusion among non-purchasers.
7 That is, actionable confusion need not be limited to
8 potential purchasers whose confusion could cause a direct
9 loss of sales.

10 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*
11 § 23: 5, at 23-24 (4th ed. 2009).

12 For example, courts have found that confusion on the part of investors can
13 support a claim of infringement. *See, e.g., Waterman-Bic Pen Corp. v. Beisinger*
14 *Indus. Corp.*, 321 F. Supp. 178, 180 (S.D.N.Y. 1970); *Commc'ns Satellite Corp. v.*
15 *Comcet, Inc.*, 429 F.2d 1245, 1251 (4th Cir. 1970) (“The likelihood of confusion
16 among investors is an adequate predicate for relief.”).

17 Courts also have recognized that confusion on the part of suppliers and other
18 “non-consumers” can support a finding of infringement. *See, e.g., Powder River*
19 *Oil Co. v. Powder River Petroleum Corp.*, 830 P.2d 403, 416, 23 U.S.P.Q.2d 1037,
20 1047 (Wyo. 1992) (“The view that infringement requires a likelihood of confusion
21 among customers is too restrictive If a likelihood of confusion among
22 suppliers, distributors, service companies or other relevant classifications exists, it
23 deserves consideration as a relevant factor in determining infringement.”);
24 *Champions Golf Club, Inc. v. The Champions Golf Club, Inc.*, 78 F.3d 1111, 1119
25 (6th Cir. 1996) (District Court should have considered actual confusion among
26 suppliers); *see also Freling Enterprises, Inc. v. International Select Group, Inc.*,
27 192 F.3d 1330, 1341 (11th Cir. 1999) (“it is not the number of people actually
28 confused by the marks that is important, but rather the type of person confused”;
finding that “the confusion of someone very familiar with the enterprise (the like
professional buyer in the instant case) is relevant evidence of actual confusion.”),
cert. denied, 530 U.S. 1214 (2000).

1 These courts have recognized that a change to the Lanham Act in 1967 made
2 it clear that Congress intended that the Lanham Act would protect against all
3 confusion, not just confusion by “purchasers.” For example, the Court in
4 *Champions Golf* noted:

5 There is no requirement that evidence of actual confusion,
6 to be relevant, “must be confusion at the point of sale—
7 purchaser confusion—and not the confusion of
8 nonpurchasing, casual observers. . . . The Lanham Act . . .
9 was intended to do more than protect consumers at the
10 point of sale. When the Lanham Act was enacted in
11 1946, its protection was limited to the use of marks ‘likely
12 to cause confusion or mistake or to deceive purchasers as
13 to the source of origin of such goods or services.’ In 1967,
14 Congress deleted this language and broadened the Act’s
15 protection to include the use of marks ‘likely to cause
16 confusion or mistake or to deceive.’ Thus, Congress
17 intended ‘to regulate commerce within [its control] by
18 making actionable the deceptive and misleading use of
19 marks in such commerce; [and] . . . to protect persons
20 engaged in such commerce against unfair
21 competition’ 15 U.S.C. § 1127.

22 *Id.* (quoting *S.P.A. Esercizio v. Roberts*, 944 F.2d 1235, 1243-44 (6th Cir. 1991));
23 *see also Marathon Mfg. Co. v. Enerlite Products Corp.*, 767 F.2d 214, 221 (5th Cir.
24 1985) (“Prior to 1962, § 32(1)(a) of the Lanham Act, 15 U.S.C. § 1114(1), required
25 confusion, mistake or deception by ‘purchasers as to the source or origin of such
26 goods or services.’ In 1962, the quoted words were deleted . . . specifically to allow
27 any kind of confusion in support of a trademark infringement action.”).

Moreover, numerous courts have considered evidence of confusion among dealers and investors to be relevant, especially where the individuals experiencing the confusion are more sophisticated and knowledgeable about the particular goods and services than the average consumer. *See, e.g., Imagineering, Inc. v. Van Klassens, Inc.*, 53 F.3d 1260, 1265 (Fed. Cir. 1995) (“Because dealers and experts are more sophisticated about the origins and sources of product lines than average consumers, their confusion is ‘highly proactive on the question of whether a likelihood of confusion exists.’”); *Contemporary Restaurant Concepts, Ltd. v. Las Tapas-Jacksonville, Inc.*, 753 F. Supp. 1560, 1565 (M.D. Fla. 1991) (considering evidence of actual confusion experienced by potential restaurant investor).

In addition, Defendants’ cases are distinguishable. In *Rearden LLC v. Reardon Commerce, Inc.*, 597 F. Supp. 2d 1006 (N.D. Cal. 2009), the Court apparently was considering “source confusion” only.¹ Thus, although the District Court in *Rearden* questioned whether the principles discussed in section 23:5 of McCarthy (discussed above) apply in the Ninth Circuit, *Rearden* is distinguishable from this case because the *Rearden* Court considered only confusion as to the source of goods or services. In this case, JIPC has also alleged and will seek to prove confusion as to sponsorship, association, affiliation, etc., which clearly is actionable under 11 U.S.C. § 1125(a)(1). (JIPC’s Memorandum of Contentions of Fact and Law at 2, ll. 15-19.) As set forth above, such a claim is not limited to “consumer” confusion.

Defendants' other cases are distinguishable as well. The courts in *Accuride International, Inc. v. Accuride Corp.*, 871 F.2d 1531 (9th Cir. 1989), and *Spectrum Vision Systems, Inc. v. Spectera, Inc.*, 35 F. Supp. 2d 797 (D. Kan. 1998), also were

¹ “The critical determination is whether an alleged trademark infringer’s use of a mark creates a likelihood that the consuming public will be confused as to who makes what product.” *Id.* at 1015 (internal quotation marks and citation omitted). “To constitute trademark infringement, use of a mark must be likely to confuse an appreciable number of people as to the source of a product.” *Id.* at 1023 (internal quotation marks and citation omitted).

1 addressing only source confusion. *Accuride*, 871 F.2d at 1535; *Spectrum*, 35 F.
2 Supp. 2d at 801.

3 The Court in *Japan Telecom, Inc. v. Japan Telecom America, Inc.*, 287 F.3d
4 866 (9th Cir. 2002), considered declarations that were intended to establish
5 secondary meaning. *Id.* at 873-74. Moreover, although the Court found the
6 declarations were not sufficient to establish secondary meaning, the Court did, in
7 fact, consider the testimony. Likewise, the Court in *Icon Enterprises International,*
8 *Inc. v. American Products Company*, 2004 U.S. Dist. LEXIS 31080 (C.D. Cal.
9 2004), did not adopt a general rule that evidence of confusion by nonconsumers is
10 inadmissible. Instead, the Court considered the circumstances surrounding the
11 confusion, and ultimately held that testimony from a **retailer** regarding confusion
12 he experienced upon seeing an advertisement was **admissible**. *Id.* at *53 (“Lee will
13 testify that he was confused after seeing an ad for Icon Wheels in a Keystone
14 catalogue. Since a consumer is likely to encounter Defendants’ product in the same
15 context, Lee’s confusion after reading the ad is probative of consumer confusion.
16 Thus, the Court will allow Lee’s testimony as to his own confusion.”).

17 In short, none of the cases cited by Defendants support a broad pretrial Order
18 precluding the introduction of evidence of actual confusion by nonconsumers.
19 Defendants’ MIL No. 6 should be denied.

20 **II. Evidence of Third-Party Confusion Is Not Hearsay and Is Admissible.**

21 As they did in their Motion in Limine No. 3, Defendants argue in their MIL
22 No. 6 that testimony regarding third-party confusion is also not admissible because
23 it is hearsay. As JIPC established in its Opposition to Defendants’ MIL No. 3,
24 Defendants are wrong.

25 As one judge in the Eastern District of California recently noted, the vast
26 majority of courts hold that testimony from plaintiff’s employees regarding
27 confusion is admissible because it is not hearsay. *Cytosport, Inc. v. Vital*
28 *Pharmaceuticals, Inc.*, --- F. Supp. 2d ---, 2009 WL 1444535, at *15-16 (E.D. Cal.

1 2009) . The Court in *Cytosport* cited numerous cases in which the courts have held
2 that statements regarding confusion are not hearsay because they were offered to
3 show the state of mind of the confused person, not to prove the truth of the matter
4 asserted. *Id.*

5 The Court noted: “Defendant objects to the above evidence on hearsay
6 grounds, arguing plaintiff’s employees cannot proffer this evidence of customer
7 confusion. . . . Defendant’s objection is unavailing.” *Id.* The Court further noted
8 that only the Eighth Circuit has held such testimony to be inadmissible, and that the
9 Second, Third, Fourth and Fifth Circuits have all held that such evidence is
10 admissible. *Id.*

11 The *Cytosport* Court also noted that other courts hold such evidence is not
12 hearsay because employee statements regarding a customer’s confusion is evidence
13 of the customer’s state of mind.² *Id.* Regardless of the reason, the vast majority of
14 courts admit such evidence.

15 Under *Cytosport* and the numerous cases cited therein, none of the evidence
16 about which Defendants complain is hearsay because none of it will be offered to
17 prove the truth of the matter asserted. *See also Conversive, Inc. v. Conversagent,*
18 *Inc.*, 433 F. Supp. 2d 1079, 1091 (C.D. Cal. 2006) (in admitting employee
19 testimony about customer confusion, Court refused to follow Eighth Circuit and,
20 instead, “[found] the reasoning of the Second, Third, Fourth and Fifth Circuits to be
21 persuasive”).

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26 ² Defendants appear to presume that evidence of the confusion experienced
27 by Larry Turner and John Wyson, and encountered by Brooks Lilly, will only be
28 introduced through the testimony of Plaintiff’s employees. However, as the Court
is aware, Plaintiff has previously submitted declarations from Messrs. Turner and
Lilly setting out their testimony directly and has included each of these witnesses
on its Witness List.

1 **III. Conclusion.**

2 In light of the foregoing, the Court should deny Defendants' MIL No. 6.

3 DATED: June 29, 2009

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4 By: /s/ Steven E. Klein

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